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**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**

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1. MOSCOW'S REACTION TO THE NATO CONFERENCE

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The Soviet government has announced that it will make a full statement on the NATO conference communiqué during the current Supreme Soviet session. In its initial reaction, Moscow has continued to employ the general themes used in its massive propaganda campaign before and during the meeting.

TASS describes the NATO communiqué as reflecting the deep "contradictions" existing in the alliance, and claims that the meeting held up the specter of a Soviet threat in order to continue the American arms drive and the cold war. US policy is portrayed as contrasting sharply with Western European desires to work for peace. The "most conspicuous" element in the communiqué, according to one widely broadcast Soviet comment, is the "discrepancy" between the decision to set up missile bases in Europe and the call for further disarmament talks with the Soviet Union.

Comment

The Soviet government can be expected to maintain its adamant attitude that it will not participate in further sessions of the UN Disarmament Commission unless that body is "balanced" between the Western states and the Communist and neutralist powers. Moscow almost certainly hopes to avoid becoming involved in further detailed discussions of such facets of disarmament as control and inspection.

The Kremlin might accept a foreign ministers' conference, mainly to set the stage for a heads-of-governments meeting.

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2. SITUATION IN INDONESIA

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An Indonesian government decree of 16 December, transferring the management of former Dutch estates to senior Indonesian employees, will undoubtedly work to the advantage of the Communists who led the drive in seizing these properties. Communist leadership of the major estate labor union, the domination of Indonesia's leading peasant organization,

and the party's victories in the 1957 Javanese elections guarantee the Communists a dominating position in the management of these estates. They will also exert a major influence in the national and provincial councils which have been set up by the government to administer the estates. From an economic standpoint, the transfer of management to inexperienced personnel can be expected to disrupt production and marketing and probably to cause considerable unemployment, thus further favoring Communist exploitation.

In Djakarta, a non-Communist labor leader has stated that the local Djakarta army command is allied with SOBSI, the Communist-dominated labor federation, and is ignoring efforts of Army Chief of Staff General Nasution to stall SOBSI's campaign to win control over Dutch enterprises.

The minister of shipping told parliament on 20 December that the government would use funds under the pending \$100,000,000 Soviet economic development loan to buy ships--especially Russian ones--to make up shipping shortages which are seriously aggravating Indonesia's current food scarcities. The USSR, however, would find it difficult to make ships available, and would be unlikely to permit the use of these funds for purchase of shipping outside the bloc.

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**5. SPAIN REQUESTS EMERGENCY US
ECONOMIC ASSISTANCE**

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Spanish Minister of Commerce Ullastres requested on 19 December that the United States consider an immediate allocation to Spain of \$30,000,000 from President Eisenhower's contingency fund. Ullastres claimed that Spain's gold, dollar, and European currency reserves were virtually exhausted. He also asked the United States to expedite Export-Import Bank loans for Spain.

Although Ullastres may have exaggerated Spain's economic predicament somewhat to dramatize the situation prior to Franco's talks with Secretary Dulles on 20 December, the burden of costly operations against Moroccan irregulars in Spanish West Africa poses a serious problem. Living costs in Spain have risen some 25 percent over the past year, and further inflationary pressures would probably result in widespread labor unrest.

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**8. CEYLON'S TRADE AND CULTURAL CONTACTS WITH
SINO-SOVIET BLOC CONTINUE TO INCREASE**

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		Trade between Ceylon and the Soviet Union may soon be facilitated under prospective trade and payments and economic cooperation agreements. A 16-man Soviet trade mission, headed by the deputy chairman of the State Committee for External Relations, is due in Colombo on 24 December. Al-

though the Ceylonese are reported to be impressed by the relatively high level of the members of the Soviet mission, the chairman is of a rank normally sent to negotiate such agreements.

The USSR in the past two years has made a number of informal offers to expand trade and assist in Ceylon's economic development program. The only results have been the visit to Ceylon of four Soviet agricultural experts and recent Soviet purchases of substantial quantities of Ceylonese tea. A trade agreement would provide the framework for broader Ceylonese-Soviet economic ties and possibly additional offers of Soviet aid to Ceylon.

Orbit cultural contacts with Ceylon are also expected to continue. A 75-man opera troupe from Communist China and a 40-man Rumanian "cultural show" are expected to arrive in early January.

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9. ARGENTINE STRIKE THREATENED ON
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The threatened strike of progovernment Buenos Aires commercial workers on 23 and 24 December could be exploited by Peronista and Communist labor elements seeking to create unrest during the period preceding the general elections on 23 February. The commercial federation, the largest single union in Argentina, has given the labor minister until 21 December to consider its demand for an emergency wage increase. The government had to suppress attempted Peronista-Communist general strikes in September and October by stern measures, including imposition of a temporary state of siege.

The commercial workers are demanding a continuation of special \$9.00 monthly wage supplements due to expire on 31 December, and an additional \$9.00 to meet increased living costs. The government's policy, while stressing more work for more pay, also emphasizes that wages should be privately negotiated and not officially decreed. The government may covertly condone the strike, not only to avoid decreeing admittedly necessary wage increases, but also to bolster the prestige of the commercial employees' leader in the face of intensified Peronista-Communist efforts to take over leadership.

There recently has been a revival of terrorism attributed to the followers of Peron. Pre-electoral strategy is reportedly being discussed by Peron and his chief cohorts at a meeting which commenced in Caracas on 20 December.

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